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# What Is the Chief Cause of the Farm Depression?

This introduction to viewpoints is one of a series of aids for discussion prepared for members of rural discussion groups through the cooperation of the Extension Service and the Agricultural Adjustment Administration of the United States Department of Agriculture. It is not intended to direct attention to any particular point of view or conclusion. Instead, it is intended for reading by members of discussion groups in advance of consideration of the topic so as to indicate some of the topic's discussion possibilities. No statement contained herein should be construed as an official expression of the Department of Agriculture. Similar aids, forming Discussion Series A, are being made available on other topics, covering a total of 14 topics. A second series, a group of publications forming Discussion Series B, is being prepared. These deal with the same topics. They are intended primarily for leaders or chairmen of discussion groups and for members interested in more extended treatment of the subject than is provided in Discussion Series A.

UNITED STATES DEPARTMENT OF AGRICULTURE

The Extension Service and the  
Agricultural Adjustment Administration cooperating

This pamphlet is the first in Discussion Series A, a series of brief introductions to widely held viewpoints on the 14 topics listed below. Discussion Series B, also available, covers the same topics at greater length. Discussion Series A is intended for reading by members of discussion groups in advance of group meetings. Discussion Series B is intended for use by chairmen of forums and discussion groups, speakers, and group members who wish to do further reading.

1. What is the Chief Cause of the Farm Depression?
2. Do Farmers Want the Federal Government to Deal with Farm Problems?
3. Should American Agriculture Seek Recovery of World Markets or Arrange to Live at Home?
4. What Kind of Foreign Trade Policies Do American Farmers Want? In Peace Time? In War Time?
5. What Kind of an Industrial Policy Is Best for Agriculture?
6. The Farmer and the Consumer of Farm Products—What, If Any, Are Their Responsibilities to One Another?
7. Do Farmers Want High Tariffs on Farm Products? On Industrial Products?
8. Should Farm Benefit Payments Be Abolished?
9. Farm Prices—How Are They Made?
10. What Kind of Land Prices Would Be Best for Agriculture? For the Nation as a Whole?
11. Will Crop Adjustment Be Necessary or Desirable in Years to Come?
12. What Possibilities and Limitations Do Farmers in this County Face in Seeking a Better Balance in Farm Production?
13. What Objectives Are Desirable for Farming as a Business? As a Way of Life?
14. What Should Farmers Seek to Accomplish Through Organization?

Two pamphlets intended primarily for the assistance of leaders of rural discussion groups and forums are now available:

1. Discussion: A Brief Guide to Methods.
2. How to Organize and Conduct County Forums.

## **What Is the Chief Cause of the Farm Depression?**

**F**ARMERS have felt keenly the effects of the great depression. Prices of farm products fell more rapidly than prices of supplies which farmers bought. Other items in farmers' costs, including interest, taxes, and freight rates, also remained relatively rigid when compared with the fluctuations of farm prices. There has been much consideration of the possibility of preventing or softening the effects of future depression. Some of this discussion has centered around the extent to which the causes are to be found within agriculture itself; the extent to which the causes may be found in other groups; the extent to which the depression had a domestic or a foreign origin.

### **What Are Your Answers?**

**What Have Been the Effects of the Depression in Your Community?**

**To What Extent Was the Depression Due to Farmers Themselves?**

**Did Too Many Farm Boys and Girls Go to the Cities for Jobs?**

**To What Extent Was the Depression Due to Unemployment in Cities?**

**In What Way Has the Loss of Foreign Trade Affected Your Community?**

**Should the Farms of the Nation Always be a Refuge, a Sort of Relief Agency, for Unemployed Industrial Workers?**

**What Do You Think Were the Main Causes of the Farm Depression?**

### **Some Pros and Cons**

#### **I**

"The farm depression was mainly the fault of the farmers themselves, and they should not spend their time blaming other elements in the population. They have been unwise spenders. They were too willing to go into debt in order to buy things that were not necessary. Farmers departed from all the lessons of experience which they should have learned from their forefathers. They imagined that they could buy comforts and conveniences at a more rapid rate than was possible. They are now paying for their own mistakes.

"Farmers have also been unwise when they have been anxious to have more land and more land. The only result of the wish for more land has been a badly unbalanced production program, in view of the effective demand for farm products. Instead of taking on more land and more work, farmers should change their attitude and get interested in more leisure and more time to enjoy life.

"Farmers have been too willing to vote for bonding their townships and counties for community improvements. They now find themselves with barely the funds to pay the taxes. These heavy debts now promise to hold back improvements for a long time. Many schools now have good equipment, bought with borrowed money, and little money to carry on the teaching program."

## II

"The trouble has been that farmers have not had 'parity prices'; that is, the relationship between farm and nonfarm prices that prevailed during the pre-war years 1910-1914. Farm purchasing power lagged behind that of other groups of the population all through the post-war period. Agriculture never really recovered from the depression of 1921. There always was a handicap for farmers. They could not buy enough of the products of industry. This eventually helped to bring about industrial unemployment.

"You cannot have prosperity for the nation on a lasting basis, when the farm group is at a continuous disadvantage. This is the lesson we should have learned from the roaring twenties. Therefore in the 'disparity' of farm prices will be found the main cause of the farm depression. When this situation is righted, all other groups will benefit."

## III

"The World War was the source of most of our troubles. We overexpanded our agricultural plant. We brought into production acres which a plow should never have touched. Then we tried to keep our export trade going by loaning funds abroad. When this stopped, and we really began to 'liquidate' the war, the great depression was soon upon us with the dire results we all know.

"The World War demonstrated the futility of great international conflicts, especially when the welfare of farming is considered. Great Wars result in tremendous inflations, but are always followed by tremendous deflations. Farmers innocently contract heavy debts in periods of great inflations. They find themselves caught with them when the deflations set in, and then try to pay debts with products that sell for little money. This has been apparent since 1929."



## IV

"In our monetary policy will be found the root of the difficulty. In effect, our monetary policy has unduly favored creditors rather than debtors. It has not greatly helped the farmers as producers, and particularly not those producers who were in debt. We held to a currency that drove farm prices down and down, and cut into our export trade. As a nation, we held to the gold standard even though farmers and other producers suffered the consequences.

"We should have devalued the dollar, or established a more flexible currency, much earlier than we did, and we would have avoided many of the extreme consequences of the depression. The old gold standard is too rigid. It always results in situations when money gets too dear in terms of commodities. The result is a drop in purchasing power all around. We need some sort of a managed currency, in order to have a more stable level of prices."

## V

"Unemployment in the cities is a major cause of the farmers' distress. When workers are unemployed, farmers immediately lose some of their markets. Urban pay rolls uphold farm prices. When these begin to sag, farm prices begin to sag. Therefore it is clear that the farmer has a real stake in industrial prosperity, and particularly in the status of industrial employment.

"When people go on relief they are on a low standard of consumption. Although they live, they have no margin, and their purchasing power is not such as really to help the farm markets. Farmers have an interest in all moves to get people off relief and back into employment."

## VI

"The depression has been world wide, and only world-wide recovery will have a real effect upon the farm situation in the United States. We have to look across the seas for the reason for much of our trouble today. Farmers must do this whether they like to or not. The facts in the case compel them to.

"The world over, restrictions are being put upon international trade at the same time that there is low purchasing power among the nations. International trade is in large part being strangled. Until this situation is changed American farmers will not have the markets which their acreage deserves. It is because of this situation that the depression has been of so long a duration. It is this situation also which has forced farmers to some programs of systematic curtailment of production to effective domestic demand."

## VII

"Our economic life has always moved in cycles. We have periods when business generally is on the upgrade, when people make commitments for the future, when employment is good or increasing, when prices are fair or advancing, when production in all lines is flush, when people are confident. But such periods are always followed by those which show just the opposite tendencies. For we always strike a limit in the upward cycle when we do not have the purchasing power to sustain the production which is under way. Then begins a down swing. People become cautious about the future. Creditors want their loans paid. Debtors have to raise money by selling below cost in order to pay their loans. Workers not needed are laid off. This results in less purchasing power and eventually still more unemployment—until we reach a point where the cycle is broken and the upward-moving forces gain control.

"Although cycles bear some resemblance to one another, they are not altogether mechanical. There are new elements in the present cycle, think some well-informed people. For example, mechanical progress has been speeded up. Workers are being rapidly replaced by machinery. The international situation presents some unusual difficulties. These forces influence the business cycle. Thus there may be new combinations of social and economic forces which will influence our economic life, and we should prepare to deal with them."

## More About Causes of Farm Depression

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